



## **BOSNIA AND HERZEGOVINA**

### **Creating Production Opportunities and Market Linkages for Returning Minority Refugees**

**USAID Grant 168-G-00-02-00109-00**

### **FINAL REPORT**

**2006**

Submitted to USAID/Sarajevo

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**Bosnia and Herzegovina: Creating Production Opportunities  
and Market Linkages for Returning Minority Refugees**

USAID Grant 168-G-00-02-00109-00

**Final Report**

**I. PROJECT OVERVIEW**

Dates of project: July 10, 2002 – September 30, 2005

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Creating Production Opportunities and Market Linkages for Returning Minority Refugees was a thirty-month project funded by a \$1.4 million grant from the United States Agency for International Development. The objective of the project was to provide technical assistance and support to minority refugee families returning to Bosnia, specifically the Vlasic Plateau, who were dependent on sheep production (cheese and lamb) as a means to generate income. Economic opportunity has become a primary reason why refugees are willing to return to their pre-war homes and sustain that return. The implementer of the project was Land O'Lakes, Inc.

The Land O'Lakes program directly contributed to the USAID Strategic Objective 3.1, Sustainable Minority Returns.

Key results for this project are:

- At least a 100 percent increase in cheese sales and a 50 percent increase in lamb sales.
- On average, at least 35 percent increase in minority household cash flow.

**Note: Increase in sales and cash within a population that has been in refugee status and is currently in start-up business activity is best measured through increase in assets. If physical assets are developed, then the refugee return is more likely to be sustainable.**

While not primary objectives of the Land O'Lakes activities, key indicators that were supported and monitored by Land O'Lakes relative to sustainable return and a more secure environment were:

- Increase in livestock population;
- Increase in improved and expanded livestock housing;
- Decrease in the migration of sheep in the winter;
- Association developed and functioning; and,
- Construction of individual cheese making rooms and/or central cooperatively owned cheese plant.

## II. PROJECT HIGHLIGHTS AND LESSONS LEARNED

Land O'Lakes and USAID learned from this project that through the strategy of developing local economic interests, the process of refugee return and ethnic reconciliation can be strengthened. The reasons that refugees, particularly minority refugees, have for returning to their pre-war homes can be categorized as security, infrastructure, education for children, and economic opportunity. Although the decision-making process to return is extremely complex, the Land O'Lakes project offered returning refugees not only an economic opportunity, but through the development of a Cooperative, an opportunity for integration based upon cooperative members interacting in business.

The project's primary activity was to develop the sheep cheese production and marketing system, which has historically been the basis of the local economy on Vlasic Plateau. The project's activities included providing technical assistance and training to sheep and cow producers to develop a cheese product and market it as a value-added product in urban centers throughout Bosnia. Land O'Lakes focused on the problem of attracting producers from all ethnic groups into a common interest, improving income by developing and controlling the local sheep and cow cheese. This effort was an attempt to encourage refugees to return to their pre-war homes, encourage refugees who had returned to remain, and promote ethnic reconciliation through pursuit of the common economic improvement of the Vlasic Plateau community. The key objective was to increase farm income by increasing sales income for cheese and lamb. This objective could only be met if the farm community embraced all ethnic groups to produce a product of uniform quality and consistency at a sufficient volume to meet market demand.

The project reinforced the belief that rural farmers can effectively and profitably participate in the market if they organize. One success story of the project was the development of the EKO Vlasic Cooperative, which held its formation meeting in the village of Sisava on April 21, 2003. By project close-out the cooperative reported a membership of 156 members and more than \$100,000 in assets.

The success of the EKO Vlasic Cooperative was based upon the sale of member cheese, both cow and sheep cheese. Land O'Lakes assisted the cooperative to develop a product line of sheep and cow cheese. The branded product, "Katun Sheep Cheese" led the product line, which also includes "Katun Cow Cheese" and unbranded cheese products as well as kajmak, butter, and hard cheese.

The project demonstrated that to garner a share of the high-end market where consumers are less brand-conscious, producers have to deliver a quality product. Quality training extended from on-farm sanitation and cheese making procedures to improved packaging. Branding is also reflected in the manner in which the cooperative interacts with its customers, such as the VF Kommerce hypermarket chain. Land O'Lakes provided sales training and supported building a strategic relationship between the cooperative and VF.

Having developed the EKO Vlasic Cooperative as a multi-ethnic organization and the only multi-ethnic organization on Vlasic Plateau, it is reasonable to conclude that the Land O'Lakes project had a positive effect upon returns and reconciliation. Once the local offices of UNHCR and OHR closed, return statistics were difficult to verify. If there were to be a point of tension it would have been between the Bosniak village of Mudrike and the Bosnian Serb village of Sisava. The villages are in close proximity to the extent of having overlapping hamlets. In 2002 Sisava had a population of 60, primarily the male head of household, only. By project close-out Sisava had a population of 304, including 34 children attending school. The basis for income generation in the returning refugee households of Sisava was sheep and cow production and participation in the EKO Vlasic Cooperative.

### **A. Production Component**

Land O'Lakes met its production performance indicators, and in some cases, exceeded expectations. Production improved farmers' operations with training and technical assistance on flock/herd management, nutrition, animal health, and agronomy. One important indicator relative to refugees sustaining their return is the willingness to invest in the farm operation and build an asset base. Land O'Lakes closely monitored livestock population and livestock facility construction. Performance Table 1 listed below indicates the positive response in asset growth to Land O'Lakes' activity. The rationale for using this performance indicator is that if a former refugee is willing to make an investment, often a fixed asset investment, then they are likely to be committed to sustain their return and participate in the growth of the community.

***Performance Table 1***

| <b>Performance indicator</b> | <b>Unit of Measure</b>            | <b>2002 Baseline</b> | <b>2005 Actual</b> |
|------------------------------|-----------------------------------|----------------------|--------------------|
| Livestock Facilities         | # Constructed                     | 0                    | 114                |
| # Sheep                      | Milking ewes and replacement ewes | 6,000                | 22,000             |
| #Cows                        | Cows and heifers                  | 600                  | 2,401              |

Production-oriented training and technical assistance focused upon increasing production, decreasing mortality, and improving farm operational efficiencies. A "management tool box" accompanied Land O'Lakes training on any given module. The toolbox contained a manual and small equipment. For example, the training module on foot rot, a prevalent disease of sheep on Vlasic Plateau, included a training manual and hoof knife. Given the remoteness of Vlasic Plateau and the cost of travel of a veterinarian to treat livestock, Land O'Lakes prepared a manual for identifying diseases and responding with on-farm treatment. Training seminars were conducted at the hamlet level, and this training served to bring members of the community together.

Training included the following modules for sheep and cows:

- Nutrition
- Replacement management
- Caring for the newborn lamb/calf
- Reproductive management
- Intensive grazing
- Barn construction
- Forage production
- Alternative crops for livestock
- Preserving livestock feed
- Farm accounting
- Farm management
- Leasing land and agreements

Land O'Lakes also employed "mobile" training. This training technique transported farmers to other areas of Bosnia to visit farms that began with five or six ewes or one or two cows, and who expanded to commercial operations. The farmer hosting the training was always a former refugee who returned to his/her pre-war home. The mobile training was as much to do about the process of return as it was farming.

Production training and technical assistance accounted for 2.0 full-time equivalent project positions, including one full-time position and the equivalent in local consultants and US-based volunteers. Production training and technical assistance accounted for approximately 15 percent of project direct funds.

## **B. Association/Cooperative Development Component**

Land O'Lakes targeted the development of an association as a key component in meeting two important goals of the project. First, prior to Land O'Lakes' presence on Vlasic Plateau sheep cheese production consisted of a many small producers, producing a similar product, and marketing the product independently. An association of producers, who could collectively bargain for improved prices and terms of sale, would greatly enhance the farm profitability of each member. Secondly, an association would serve as a venue for dialogue among the ethnic groups. Such dialogue in the form of shared decision-making is part of the process of reconciliation. Table 2 reflects the results on the association component of the Land O'Lakes project.

***Table 2***

| <b>Performance Indicator</b> | <b>Unit of Measure</b> | <b>2002 Baseline</b> | <b>2005 Actual</b> |
|------------------------------|------------------------|----------------------|--------------------|
| # Members                    | Members Paid Dues      | 0                    | 151                |
| Cooperative Assets           | US \$                  | 0                    | 98,000             |

In order to foster collective marketing for improved price paid for producers' cheese, Land O'Lakes identified key leaders representing all ethnic groups and convened a meeting in October 2002. The purpose of the meeting was to present key market findings regarding the supply and demand in balance in the Travnicki type cheese category. The data that Land O'Lakes presented indicated a very large opportunity not only in the cheese category itself, but also for a branded cheese product that could guarantee the consumer that the cheese was an authentic product of Vlasic Mountain. If the producers were to take advantage of the opportunity, they had to work together to deliver a product of consistent volume and quality. The result of the meeting was the formation of a multi-ethnic working group, which marketed the first time since the end of the war that all ethnic groups on Vlasic agreed to work together.

The working group developed a draft set of bylaws for the formation of an association. The draft was distributed, the working group conducted informational meetings, and on April 21, 2003 a formation meeting was held with 113 people attending. At the formation meeting the people voted on the bylaws and elected officers for the association management board and supervisory board. The EKO Vlasic Association was registered shortly thereafter.

In July 2003 the government of BiH changed the law on associations. Any association that earned income other than member dues had to register as a company, file accounting reports quarterly and pay taxes. A cooperative is a form of company and EKO Vlasic re-registered as the EKO Vlasic Cooperative.

Key to the success of any voluntary organization is the services that the organization provides for its members. Listed below are services that EKO Vlasic Cooperative developed for the membership:

- Marketing cheese and other products
- Marketing lamb
- Bulk purchasing feed
- Purchasing cheese-making supplies
- Purchasing farm supplies
- Training, both domestically and internationally
- Attracting reconstruction donors and funds
- Community development \*

### **C. Community Development Component\***

EKO Vlasic Cooperative is the only NGO located on Vlasic Plateau and became recognized for its transparency and multi-ethnic, non-partial nature. As a result, EKO Vlasic Cooperative was able to successfully approach the government and international donors for assistance in school repair, road reconstruction, and water system reconstruction in the communities of Vlasic Plateau.



The asset base listed as a performance indicator consisted of an office and a cheese packing facility. At project closeout these were two separate facilities with the goal to house everything in the cheese packing facility. The cheese packing facility was constructed to accommodate expansion. At closeout the EKO Vlasic Cooperative employed five full-time employees and three part-time employees.

The community contributions to the development of the EKO Vlasic Cooperative were strong. Individuals donated temporary office space, cheese storage, retail space for cheese sales, venues at the Babanovic Recreation Area for promotions, and transportation. These match funds totaled more than \$100,000.

#### **D. Processing Component**

In 2002 there was no milk processing unit on Vlasic Plateau. All producers milked their sheep and cows and made cheese at home. Each producer made the cheese according to a traditional method, but there was no uniformity in that method, which resulted in a product that might be similar but certainly not consistent in quality.

Land O'Lakes conducted an intensive training followed by technical assistance to establish a common procedure for the cooperative's sheep and cow cheese. The goal was that the cheese to be sold under the cooperative's brand name would be consistently the same flavor, texture, and quality. The standardized product would meet consumer expectations time after time, regardless of which individual producer made the cheese. Elements such as temperature, salt content, rennet, aging and storage were adopted and incorporated into each producer's cheese-making plan.

As cheese production and the cooperative's brand penetrated markets, members of the cooperative began to expand production into kajmak, smoked and flavored cheese, and butter. Members who preferred making cheese to milking sheep or cows established processing operations whereby they would purchase milk from the community and make cheese on a slightly larger scale.

#### **E. Marketing Component**

Under the marketing component, Land O'Lakes assisted the cooperative to launch the Katun brand of sheep and cow cheese. In addition to the branded products, there was a line of unbranded cheese, butter, and kajmak products.

Based upon a consumer study conducted by Prism Research of Sarajevo, Land O'Lakes identified key characteristics that urban, upper-end consumers were seeking in cheese products. These included:

- Guarantee of origin
- Tested for quality
- Packaged for convenience
- Portion size of 500 grams

The study also identified Sarajevo and Mostar as the key markets and determined that the targeted consumer was more likely to shop for cheese in a supermarket such as VF Kommerce.

**Table 3**

| <b>Performance Indicator</b>           | <b>Unit of Measure</b> | <b>2002 Baseline</b>   | <b>2005 Actual</b>     |
|--|------------------------|------------------------|------------------------|
| Increase in price paid to producer     | BAM per kilogram       | 3.50 cow<br>5.00 sheep | 5.00 cow<br>7.00 sheep |
| Increase sales by cooperative          | US\$                   | 0                      | 127,082                |
| Increase cash flow through cooperative | US\$                   | 0                      | 113,527                |

The branded sheep cheese product retailed at 10.80 BAM. This price returned to the producer 7.00 BAM. Unbranded sheep cheese sold under the EKO Vlasic label returned 6.00 BAM to the producer. The cooperative also implemented a quality payment program based upon whether branded cheese delivered to the packing facility qualified for the branding category or unbranded. This incentive increased the volume of cheese moving into branding by 15 percent.

The difference between sales and cash flow reflects the ability of the cooperative to collect payment from retailers. Land O'Lakes supported these efforts of the cooperative by providing sales training. By project closeout the cooperative had an acceptable 10 percent of their accounts past due.

The Katun brand cheese was successful on the retail market and it was also successful in cheese exhibition and competitions. It received three gold medals, one silver, and one bronze at the BiH cheese exhibition in Mostar in 2004.

The sustainability of the Katun brand will depend upon maintaining the quality of the product and fostering strategic partnerships with retailers.

## **F. Minority Refugee Return Component**

The primary goal of Land O'Lakes and of the above-mentioned components was to support minority refugee return through income-generating activity. The return of minority refugees to rural villages has been and will continue to be a major challenge for the international community and the governments of and within Bosnia. Table 4 reflects the reality of minority refugee return.

***Table 4***

| <b>Performance Indicator</b> | <b>Unit of Measure</b> | <b>Baseline</b> | <b>Actual</b>  |
|------------------------------|------------------------|-----------------|----------------|
| Travnik Municipality         | Total population       | 1989<br>37,000  | 2005<br>16,572 |
| Vlasic Plateau               | Total population       | 1989<br>4,830   | 2005<br>1,751  |
| Sisava (Serb minority)       | Total population       | 1989<br>1,020   | 2005<br>304    |

The question regarding Table 4 is whether this information reflects poor performance or outstanding performance. The answer might be that it is the best result with the best performance under the worst political conditions.

The current population in the Travnik municipality of 16,572 reflects the population that is registered in Travnik, primarily individuals who resided in Travnik in 1989 and were either not displaced or were displaced and returned. However, the actual number of people living in Travnik in 2005 exceeded 16,572 by more than 50 percent. These are people who were displaced, mostly Bosniaks, from other parts of Bosnia, primarily on the Republika Srpska side of Vlasic Mountain.

Vlasic Plateau was occupied by the Yugoslav National Army and later the Army of the Republika Srpska. It was used as a military installation during the war to control the Lasva River Valley. The first population to be displaced forcibly was the Bosnian Croat population. The village of Gornji Korachani had a Bosnian Croat population of 972 in 1989. In 2005 the population was 35. The Bosnia Serb population in 1989 was 2,489, clearly the majority population. In 2005 the population was 415. The Bosniak population on Vlasic Plateau in 1989 was 1,932. In 2005 the Bosniak population was 1,201.

Sisava is a small village on Vlasic Plateau and was a clear target for minority return efforts by Land O'Lakes. Sisava was one of the largest and wealthiest communities on Vlasic and a strong population of 1,020 people. In 2002 when Land O'Lakes began its activity in Sisava, there were 60 residents; in 2005 at project closeout there were 304.

The reasons stated for driving the decision for a minority refugee to return to the pre-war home are:

- Security
- Infrastructure
- Schools
- Income generation/jobs

USAID was very effective in addressing these issues including the Land O'Lakes effort.

Although minority refugee return success was seen in the Bosnian Serb communities of Sisava and Vitovlje, the outlying hamlets of these communities remain heavily land mined and there is no effort underway to remove the mines. The removal of mines is under the control of the local government and little attention is given to minority population mine issues.

The other overlying issue, of course, was the government or governments of Bosnia. The municipality of Travnik is ethnically balanced: 8,117 Croats and 8,464 Bosniaks. Yet those displaced persons living in Travnik Municipality, mostly Bosniaks, are encouraged to remain for the pure reason of tipping the political scale to the SDA. Within the greater Central Bosnia Canton of which Travnik is part, there is a campaign titled "Make Central Bosnia Your Home". The campaign is financed by the HDZ and targets displaced Bosnian Croats to reside and register, and more importantly, vote in Central Bosnia Canton.

#### **G. Program Management.**

John MacKillop managed the project from July 2002 through September 2005. Mr. MacKillop would like to express his gratitude to the MRDO team who provided much needed support and encouragement throughout the project. Specifically, we at Land O'Lakes would like to thank Merritt Broady, Peter Flynn, and Mirela Begic for the opportunity to serve in Bosnia and develop a special relationship with the MRDO.

## **APPENDIX A**

### **Success Stories**

SUCCESS STORY FROM BOSNIA MARKET LINKAGES (BML) QUARTERLY REPORT FOR  
JANUARY – MARCH 2005

## Returning Home to Sisava

**It has been said that only the elderly return home- that is simply not true.**

Mladen and Brane Vujinovic are brothers and the youngest farmers on Vlasic Plateau, Mladen is 27 and Brane is 20. They returned to their home in Sisava in 2003 with their mother. Prior to their return, they had been living in displacement in Banja Luka and, like many other rural people, they wanted to return home to Vlasic Mountain: It is a special place for them. When the brothers returned to the plateau with two cows, Land O'Lakes technical assistance provided training on Katun branded cheese making, which they now sell through the EKO Vlasic Cooperative for 5 KM per kilogram. By the end of 2004, their herd expanded to eight cows. In 2005, they have purchased a four wheel drive tractor and constructed a new barn under the guidance of Land O'Lakes. With monthly cheese production exceeding 300 kilograms and the sale of beef, they have accumulated enough cash to purchase a fish farm that has been idle since 1990.

The Municipal government in Travnik once categorized returnees to Vlasic Plateau as elderly people living on pensions. They haven't met Mladen and Brane who chose to return home to a completely destroyed house but with a desire to rebuild not just the house but their community. At the 2005 Ski and Cheese Weekend, the EKO Vlasic Cooperative presented the Vujinovic brothers with their annual award for "Farmer of the Year" in the dairy cow category.



Mladen Vujinovic being presented with "Farmer of the Year" award for cow farmers of EKO Vlasic Cooperative. Presenting the award is EKO Cooperative General Manager and Director, Elevedin Mehic.

### 2005 Ski and Cheese Weekend

EKO Vlastic Cooperative conducted their third annual Ski and Cheese Weekend to promote the high value cheese products produced by Vlastic farmers.



*Above, sheep cheese products for sale and below, a cooperative member's lamb on display for ski and cheese weekend patrons.*



Katun brand sheep and cow cheese have been a market success. Part of the branding strategy has been to closely associate Katun with the environment on Vlastic Mountain and there is no better way to promote it than during the ski season.

SUCCESS STORY FROM BOSNIA MARKET LINKAGES (BML) QUARTERLY REPORT FOR  
APRIL – JUNE 2005

## SUCCESS STORY

Milan Radovanovic is part of a family farm operation that boasts three cows and 250 sheep and he produces superb quality cheese on Vlasic Plateau. These facts alone may not make Milan and his family exceptional, but Milan is from the small hamlet of Vucjak. Vucjak has seen very few people return to their home since the war ended. Vucjak serves as a buffer between the community of Mudrike which is 100 percent Bosniak and the community of Sisava which is 100 percent Bosnian Serb. One could argue that Vucjak is a micro-community that is truly ethnically mixed and the Bosniaks who initially returned encouraged their former neighbors, Serbs, to also return. Milan and his family were one of those.

Milan is reluctant to speak about 1995. “Things happened we didn’t understand,” he says. He remembers the day that he was informed that he and his family had to leave. “We were given 25 minutes if we wanted to go by car,” he recalls. “It was crazy, we were told that we already won this stupid war. We were all lied to.” He loaded what he could in the family vehicle, left his livestock and most of his personal property.

Milan returned in the summer of 2002, “Just to see, we were afraid to return before then. I saw my old neighbor, Taso, I knew then that I would come back, this is my home.” Milan and his family did return in the spring of 2003, although like everyone else on Vlasic Plateau, he returned to a destroyed home, best described as rubble, and no personal property. Rebuilding his house was completed in 2004. In 2005, he built a new barn to house his small dairy herd and sheep. He will produce eight tons of cheese this year and market it through the EKO Vlasic Cooperative where he is on the board of directors.

About EKO Vlasic Cooperative Milan says, “It is a way for all of us here to get together and we don’t just talk about sheep and cheese. We talk about schools, roads, whatever we need to bring the future closer.”



*Milan Radovanovic in his stable*



## **APPENDIX B**

### **Eko Vlastic Cooperative Logo**



## **APPENDIX C**

### **Katun Brand Labels**

FINAL, odštampano u Oct 2004



| EKO VLAŠIĆ       |               |
|------------------|---------------|
| KATUN            |               |
| Proizvođač:      | Vegetarijanci |
| Vaga %           | 31            |
| Voda %           | 24            |
| Solna kiselina % | 0.9           |
| Ugljikohidrat %  | 1             |
| Proteini %       | 14.5          |
| NaCl %           | 4             |
| Energija (kJ/g)  | 10.5          |

Proizvođač: 12 mjeseci pri čuvanju na temperaturi od 4-8°C.  
 Sir stavlja u hladnjak nakon 2-3 dana prije konzumiranja.  
 Maksimalna količina konzumiranja: 200g dnevno.  
 22 EKO VLAŠIĆ, Viteška ul. 10, Travnik, BiH. E-mail: ekovlasic@yahoo.com



| EKO VLAŠIĆ       |               |
|------------------|---------------|
| KATUN            |               |
| Proizvođač:      | Vegetarijanci |
| Vaga %           | 48            |
| Voda %           | 26            |
| Solna kiselina % | 0.9           |
| Ugljikohidrat %  | 1             |
| Proteini %       | 1.7           |
| NaCl %           | 4             |
| Energija (kJ/g)  | 10.5          |

Proizvođač: 12 mjeseci pri čuvanju na temperaturi od 4-8°C.  
 Sir stavlja u hladnjak nakon 2-3 dana prije konzumiranja.  
 Maksimalna količina konzumiranja: 200g dnevno.  
 22 EKO VLAŠIĆ, Viteška ul. 10, Travnik, BiH. E-mail: ekovlasic@yahoo.com





